

Message Text

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11
ACTION ARA-20

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E.O. 11652: N/A
TAGS: EGEN, MX
SUBJECT: MEXICAN INDUSTRIAL LEADERS COMMENT ON NATIONAL
WAGE AGREEMENT.

REF: A. MEXICO 7269 B. MEXICO A-450

1. THE PRESIDENTS OF THREE LEADING ASSOCIATIONS OF MEICAN
INDUSTRY COMMENTED IN THE MEXICAN PRESS ON SEPTEMBER 26. 1973,
THAT NOT ALL MEXICAN BUSINESSES WILL BE ABLE TO GRANT THE 20
PERCENT WAGE RISE JUST NEGOTIATED (REFTEL). ON THE OTHER HAND,
THEY ALSO WARNED THAT IT WOULD ONLY BE REALISTIC TO EXPECT THAT
MANY OF THE FIRMS THAT DO GRANT THE INCREASE WILL HAVE TO
INCREASE PRICES IN ORDER TO REMAIN PROFITABLE AND TO CONTINUE
INVESTMENT. (THE WAGE AGREEMENT IS NOT BINDING ON INDIVIDUAL
FIRMS; THUS SOME STRIKES MAY YET OCCUR.)

2. THE THREE PRESIDENTS QUOTED IN THE PRESS WERE CARLOS YARZA
(OF CONCAMIN), JORGE ORVANANOS (COPARMEX), AND LUIS GUZMAN DE
ALBA (AIEM). THEY REPORTEDLY HAVE RECOMMENDED TO THEIR MEMBER
FIRMS THAT THEY TRY TO ABSORB THE INCREASED LABOR COST. IF THEY
HAVE TO RAISE PRICES, IT WAS RECOMMENDED THAT IT BE NO MORE THAN
THE DIRECT COST ATTRIBUTED TO THE 20 PERCENT WAGE INCREASE.
IN THOSE INDUSTRIES WHERE THE PRICES ARE FROZEN (STEEL, SUGAR,
NATURAL GAS DISTRIBUTION), THE GOM WILL, IN THEIR OPINION, HAVE
TO AUTHORIZE HIGHER PRICES. THE POSSIBILITY OF A 40-HOUR WORK
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WEEK WAS OPPOSED AS INFLATIONARY.

3. THEY NOTED THAT THE EFFECT OF THE WAGE INCREASE WILL VARY BY INDUSTRY, DEPENDING ON LABOR INTENSIVENESS. THEY ESTIMATE THAT IN THE CHEMICAL INDUSTRY, LABOR COSTS ARE 15 PERCENT OF PRODUCTION, FOR TEXTILE 40-50 PERCENT, AND FOR CONSTRUCTON 70 PERCENT. HARDEST HIT WILL BE THOSE THAT ARE LABOR INTENSIVE, HAVE CEILING PRICES AND/OR ARE CURRENTLY MARGINALLY PROFITABLE.

4. COMMENT: THE ABOVE SOURCES ESTIMATE THAT THE 20 PERCENT NATIONAL WAGE AGREEMENT WILL ADD AN ADDITIONAL 30 BILLION PESOS ANNUALLY (U.S. \$2.4 BILLION) TO SALARIES WITH RESULTANT INCREASES IN CONSUMER DEMAND. THIS PLUS THE HIGHER LABOR COSTS WILL INCREASE INFLATIONARY PRESSURES. THE WHOLESALE PRICE INDEX IN MEXICO CITY INCREASED BY 2.5 PERCENT IN JULY WHILE NATIONAL CONSUMER PRICES ROSE BY 2.6 PERCENT AND UNOFFICIAL REPORTS INDICATE THAT THE AUGUST WHOLESALE PRICE INDEX INCREASE WAS 2.2 PERCENT. FEARS OF THE EFFECTS OF MEXICAN INFLATION ARE AN INCREASING SOURCE OF CONCERN TO MEXICAN BUSINESSMEN.

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